Mandated Benefits

Office of The Commissioner of Insurance Small Employer Health Insurance Task Force January 11, 2001

Mandated Benefits Defined

- Mandated Benefits
 - Requires treatment of certain procedures, illnesses or types of treatment
- Mandated Coverage
 - Requires coverage of certain persons

Mandates Defined

Provider Mandates

 Requires payment for services by nonphysician providers

Mandated Offers

Requires that certain benefits must be offered

Mandated Benefits in Wisconsin

- Nervous and Mental Disorders
- Home Health Care
- Skilled Nursing Care
- Kidney Disease
- Mammography
- Diabetes

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Maternity Coverage

Mandated Benefits in Wisconsin

- HIV Prescriptions
- Lead Screening
- **■** TMJ Disorders
- Ambulatory Surgery Center Charges
- Anesthetics for Dental Care
- Breast Reconstruction
- Immunization

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- Adopted Children
- Handicapped Children
- Newborn Infants
- Grandchildren



- Nonphysician Providers
- Optometrists
- Chiropractors
- Nurse Practitioners
- Dentists

Other Mandates

- Genetic Testing Prohibitions
- COBRA/State Continuation

Expected Mandate Proposals in 2001-03

- Contraceptive articles and Services
- Acupuncture
- Mental Health/AODA Mandate Changes
- Hospital Charge coverage for experimental treatments
- Well baby care.

Studies of Mandates in Wisconsin

Mandates as a Percent of Benefits Paid

Year	Mandates Studied	Percent
1987	6	5.70
1988	6	7.13
1989	6	7.89
1990	4	7.57



- Only two mandates, the AODA and Mental Health and the Chiropractic benefits, accounted for more than one percent of benefits paid.
- Self-funded plans tend to match or exceed mandates
- Mandates from previous study not included in 1990 study accounted for less then 1% of total medical benefits paid.



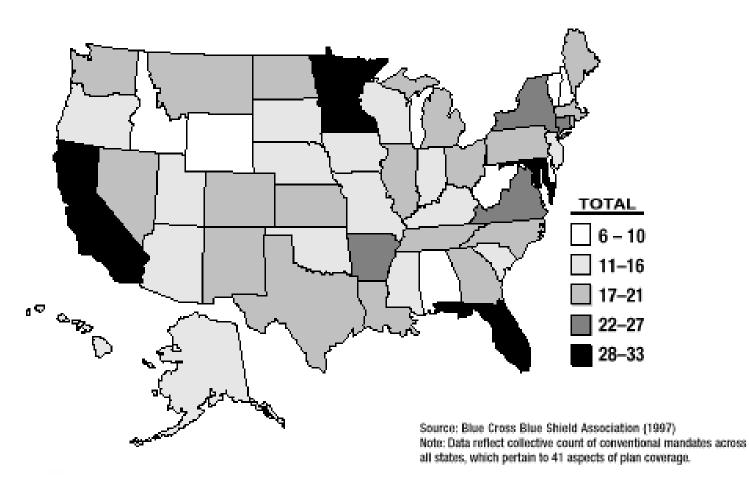
State	Year	Mandates Studied	Percent of Total Claim Costs			
Iowa	1987	6	5.4			
Maryland	1988	over 20	22.0			
Oregon	1989	16	8.1			
Massachusetts	1990	over 20	18.0			
Virginia	1993	over 20	12.2			
Texas*	1996	9	3.3			
Maryland**	1998	34	15.0			
Virginia (Individual)	1999	21	9.1			
Virginia (Group)	1999	23	18.2			
*Texas study only focuses on nine mandates						
**Maryland figure is based on percentage of premium						

Where does Wisconsin fit in?

 Differences in the type and quantity of mandates among states make true comparisons difficult

Wisconsin is about average in the number of mandates.

Conventional Mandated Benefits by State, 1996



Common Mandates Nationwide in 1996

	Number of States with Mandates	Number Requiring Mandatory Inclusion	Number Requiring Mandatory Option
Required Coverage			
Provider Mandates			
Chiropractors	41	39	2
Psychologists	41	40	1
Optometrists	37	35	2
Dentists	34	35	1
Benefit Mandates			
Mammography Screening	46	42	3
Alcoholism Treatment	43	27	16
Maternity Length-of-Stay	34	34	0
Mental Health Care	32	18	14
Extension Mandates			
Conversion to Non-Group Policy	39	38	1
Continuation Coverage for Employees	38	37	1
Continuation Coverage for Dependents	35	34	1
Handicapped Dependents	34	34	0

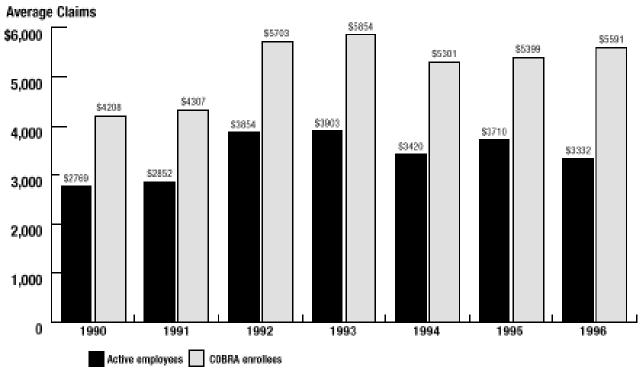
Source: Blue Cross Blue Shield Association (1997). Note: Only laws applying to all insurers were counted.

COBRA/Continuation Mandates

■ In 1996, average claims per COBRA enrollee were 68% higher than average claims per active worker.

Adverse selection, under COBRA mandates, has been attributed to cause a 4% increase in premiums.

Employers' Experiences with Adverse Selection Under COBRA, 1990–1996



Source: Stephen A. Hugh, <u>COBRA Costs Continue to Be High, Erratic,</u> Exployee Senetif Plan Review, September 1997, 36–44.

Marginal Cost of Mandates

Most studies of mandates concentrate on total cost of services provided and do not measure marginal cost.

Maryland's 1999 report quantified the marginal cost of mandates at 3.9% of premium across all insurance products.(overall cost of mandates: 15%)



- The insurance industry argues eliminating mandates would raise the proportion of small firms offering coverage by 9.4 percentage points.
- Small employers, who have higher turnover are more severely affected by COBRA/continuation mandates.
- New York and Maryland are trying "mandate free" small employer policies.

Conclusions

- Though Wisconsin has not studied it's mandates in 10 years, it is not likely that new studies will reveal any surprises.
- Additional marginal cost studies would confirm the assumption that mandates do not add greatly to the cost of benefits or premiums.

Discussion

Thank you.